

**EASTON TOWNSHIP**

**Ionia County, Michigan**

**Financial Statements**

**And**

**Independent Auditor's Report**

**For the Year ended March 31, 2008**

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* EASTON TOWNSHIP	County* IONIA	Type* TOWNSHIP	MuniCode* 34-1-050
Opinion Date-Use Calendar* Sep 15, 2008	Audit Submitted-Use Calendar* Sep 29, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 463,718.00
General Fund Expenditure:	\$ 675,718.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 888,708.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* LAWRENCE	Last Name* TIEJEMA	Ten Digit License Number* 1101026843		
CPA Street Address* 31 E MAIN ST PO BOX 10	City* SARANAC	State* MI	Zip Code* 48881	Telephone* +1 (616) 642-0384
CPA Firm Name* LAWRENCE TIEJEMA, PC	Unit's Street Address* 31 E MAIN ST PO BOX 10	Unit's City* SARANAC	Unit's Zip* 48881	

**EASTON TOWNSHIP  
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**Lawrence Tiejema, PC    Certified Public Accountant**  
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INDEPENDENT AUDITOR'S REPORT

September 15, 2008

The Township Board  
Easton Township  
Ionia County, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Easton Township, Ionia County, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

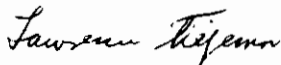
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, and the aggregate remaining fund information of Easton Township, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated September 15, 2008, on my consideration of Easton Township's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 5 to 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Easton Township's basic financial statements. The governmental, enterprise, and component unit's financial statements and schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.



Lawrence Tiejema, PC

September 15, 2008

## **Management Discussion and Analysis**

The township completed an important road project and conducted a township census while retaining sufficient fund balance for future needs.

### **Financial Highlights**

- (1) The township completed a reconstruction and paving project on the corner of Parmeter and Dick Roads at a fiscal year cost of \$386,428. Paving was completed from this intersection east to Marquette Road so that Parameter Road is now paved from M-66 to Dick Road.
- (2) The township closed out the special revenue fund by transferring the balance of \$87,438 to the General Fund. This transfer was used to help pay for the Parmeter Road project.
- (3) The fund balance in the General Fund was reduced by \$217,027, going from \$1,170,199 to \$953,172. The total expenditures of the General Fund for the year ended March 31, 2008, was \$680,745, in comparison to the previous year of \$339,297.
- (4) Road expenditures increased from \$94,167 in the prior year to \$444,993 for the year ended March 31, 2008. The road project on the corner of Dick Road and Parmeter Road was the reason for the increase.
- (5) Revenue sharing increased from \$286,111 in the prior year to \$334,618 in the year ended March 31, 2008. This increase was due mostly to the transfer of prisoners of the State of Michigan from a facility in Berlin Township to a facility in Easton Township.
- (6) The township conducted a census during the past year at a cost of \$3,197. The purpose of the census was to identify new residents who have moved into the township since 2000. When the population of a township increases, the township revenue sharing goes up.
- (7) The township had a dead tree removed from the township hall property and had the stump ground by Lilly's Tree Service for \$850.
- (8) The township approved new contracts for the cemetery, assessor, and deputy from the Ionia County Public Safety. The contracts call for the following amounts: Cemetery, \$20,000/year; Deputy, \$30,986/year; Assessor, \$10.75/parcel.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, public works, recreation and cultural, and cemetery. The business-type activity of the Township is the Sewer Fund. The government-wide financial statements may be found on pages 11-13.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. (All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds).

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government wide-financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township adopts an annual appropriated budget. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

**Proprietary funds.** The township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses enterprise funds to account for its sewer system operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19-21 of this report.



## Easton Township's Net Assets

	March 31, 2008		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 916,269	\$ 507,890	\$ 1,424,159
Capital assets	64,464	233,468	297,932
<b>Total assets</b>	<b>980,733</b>	<b>741,358</b>	<b>1,722,091</b>
Long-term liabilities outstanding		-	0
Other liabilities	27,561	136,932	164,493
<b>Total liabilities</b>	<b>27,561</b>	<b>136,932</b>	<b>164,493</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	64,464	233,468	297,932
Restricted		370,958	370,958
Unrestricted	888,708		888,708
<b>Total net assets</b>	<b>\$ 953,172</b>	<b>\$ 604,426</b>	<b>\$ 1,557,598</b>

Governmental activities are made up of the General Fund and the business-type activity consists of the Sewer Fund. For the year ended March 31, 2008, governmental net assets dropped by \$217,027 and business-type activities decreased by \$116,252. The General Fund decrease was due to a one-time expenditure to upgrade a road and intersection in the township. The Sewer Fund decrease was due to an adjustment in the balance owing by residents who are connected to the township's sewer lines.

Cash deposits in the governmental funds fell by \$204,474 while cash deposits in the Sewer fund increased by \$23,482. Current and other assets of the General fund include cash, receivables, and prepaid expenses. Receivables to the General fund fell by \$3,605 while prepaid expense increased by \$185. Liabilities of the general fund increased by \$4,106 for the year just ended. Liabilities consist of accrued payroll tax liabilities, pension expense of the prior year, and bills that are dated before April 1, 2008, and paid after March 31, 2008.

Liabilities of the Sewer Fund increased from \$1,393 to \$136,932. This was due to a reclassification of amounts due from the residents who are served by the Easton Township sewer system to deferred revenue. As these principal payments are received, they will become revenue in the year received.

## Easton Township's Changes in Net Assets

**For the Year Ended March 31, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 20,373		\$ 20,373
General revenue:			
Property taxes	72,599		72,599
State Sources	334,618		334,618
Investment earnings	32,163	19,199	51,362
Other	3,965	9,935	13,900
Total revenue	463,718	29,134	492,852
Expenses:			
General government	131,291		131,291
Legislative	6,027		6,027
Public safety	49,298		49,298
Public works	453,048		453,048
Community support	16,897		16,897
Cemetery	24,184		24,184
Sewer		11,353	11,353
Total expenses	680,745	11,353	692,098
Increase (decrease) in net assets	(217,027)	17,781	(199,246)
Net assets - beginning of year	1,170,199	586,645	1,756,844
Net assets - end of year	\$ 953,172	\$ 604,426	\$ 1,557,598

For the year ended March 31, 2008, general fund revenues increased by \$32,774 and expenses increased by \$341,448. The primary increase in expenses came from Public Works, which included the road improvement project on Parameter Road. General Fund revenues increased significantly for property tax and state revenue sharing. Property tax increased by \$4,711 while revenue sharing increased by \$48,507. As mentioned in the financial highlights, the revenue sharing increase was the result of a movement of state prisoners to a facility in the township. The expenses for general government services including the township officers, elections, and board of review fell by \$14,386. Expense increases were experienced in the following accounts: legal/accounting, \$11,278; assessor, \$1,752; and cemetery, \$4,408.

Sewer Fund investment earnings increased by \$1,707 while expenses increased by \$1,741. Sewer Fund expenses consist of township administration, audit, and depreciation. Some of the township officer's time in working on the Sewer Fund is billing as administrative expense.

**Easton Township's Capital Assets  
(net of depreciation)**

**For the Year ended March 31, 2008**

	Governmental activities	Business-type activities	Total
Land	\$ 7,325	-	\$ 7,325
Buildings and Improvements	35,840	-	35,840
Machinery and Equipment	21,299	-	21,299
Utility Systems	-	233,468	233,468
<b>Total</b>	<b>\$ 64,464</b>	<b>\$ 233,468</b>	<b>\$ 297,932</b>

Easton Township did not obtain any new capital assets in the year ended March 31, 2008. During the year, the General Fund had depreciation expense of \$5,027 while the Sewer Fund had depreciation expense of \$7,953. This reduced the balance in the capital assets of these funds by those amounts.

The main assets of the General Fund consist of buildings and improvements and machinery and equipment. Buildings and improvements consist of the township hall and its improvements and the cemetery road. Machinery and equipment consists of furniture, computer equipment for the treasurer and clerk, and the voting machines received last year from a federal grant.

The Sewer Fund assets consist of sewer lines built between 1976 and 2001 at an original cost to the township of \$397,654. The sewer lines are being depreciated over a 50-year period.

**Prior Year Review and Future Plans**

During the year ended March 31, 2008, the township completed a major road project that consisted of the rebuilding of the Dick Road and Parmeter Road intersection and resurfacing a portion of each road. Dick Road was resurfaced 100 feet north and 100 feet south of the intersection. Parmeter Road was resurfaced and paved approximately 1 ¾ miles to the east. In addition to this project, the Township dealt with the effects of vandalism by repairing gravestones in Easton Township cemetery and the township's portion of the Oak Hill Cemetery. Also, the township conducted a census of its residents to determine the increase in population from the 2000 census. If the township can show an increase in population, it will receive additional state revenue sharing. For the current year, the township board's main project is the extension of the Easton Township cemetery. An area of 1.36 acres has been identified for expansion. The land must be graded and seeded, water lines must be extended, and roads added. It is estimated that the cost could be from \$30,000 to \$50,000.

**EASTON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2008**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits	\$ 773,925	\$ 364,560	\$ 1,138,485
Receivables			
Due from Charter Cable	6,416	-	6,416
Due from other funds	13,014	5,539	18,553
Due from other governments	117,942	859	118,801
Prepaid expenses	4,972	-	4,972
<b>Total current assets</b>	916,269	370,958	1,287,227
<b>Non-current assets:</b>			
Capital charges receivable		136,932	136,932
Capital assets, net of			
accumulated depreciation	64,464	233,468	297,932
<b>Total non-current assets:</b>	64,464	370,400	434,864
<b>Total Assets</b>	980,733	741,358	1,722,091
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	22,629	-	22,629
Due to other funds	4,932	-	4,932
<b>Total current liabilities:</b>	27,561	-	27,561
<b>Non-current liabilities:</b>			
Deferred revenue	-	136,932	136,932
<b>Total Liabilities</b>	27,561	136,932	164,493
<b>Net Assets</b>			
Invested in capital assets, net			
of related debt	64,464	233,468	297,932
Restricted for:			
Sewer maintenance		370,958	370,958
Unrestricted	888,708		888,708
<b>Total net assets</b>	\$ 953,172	\$ 604,426	\$ 1,557,598

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MARCH 31, 2008**

Functions/ Programs	Expenses	Program Revenues	Net (Expense) Revenues
		Charges for Services	
<b>Primary government</b>			
Governmental activities:			
General government	\$ 131,291	\$ 11,658	\$ (119,633)
Legislative	6,027	-	(6,027)
Public safety	49,298	737	(48,561)
Public works	453,048	3,128	(449,920)
Recreation and culture	16,897	-	(16,897)
Cemetery	24,184	4,850	(19,334)
Total government activities	680,745	20,373	(660,372)
Business-type activity:			
Sewer	11,353		(11,353)
Total primary government	\$ 692,098	\$ 20,373	\$ (671,725)

(Continued)

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Changes in net assets			
Net (expense) revenue	\$ (660,372)	\$ (11,353)	\$ (671,725)
General revenues:			
Property taxes	72,599		72,599
State revenue sharing	334,618		334,618
Investment earnings	32,163	19,199	51,362
Other revenue	3,965	9,935	13,900
Total general revenues	443,345	29,134	472,479
Change in net assets	(217,027)	17,781	(199,246)
Net assets, beginning of year	1,170,199	586,645	1,756,844
Net assets, end of year	<u>\$ 953,172</u>	<u>\$ 604,426</u>	<u>\$ 1,557,598</u>

(Concluded)

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS – GENERAL FUND**  
**MARCH 31, 2008**

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<b>ASSETS</b>	
Cash and deposits	\$ 773,925
Receivables:	
Due from Charter Cable	6,416
Due from other governments	117,942
Due from other funds	13,014
Prepaid expenses	4,972
<b>TOTAL ASSETS</b>	<b>916,269</b>
<b>LIABILITIES AND FUND BALANCE</b>	
LIABILITIES:	
Accounts payable	22,629
Due to other funds	4,932
<b>TOTAL LIABILITIES</b>	<b>27,561</b>
<b>FUND BALANCE</b>	
Undesignated	888,708
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	
<b>BALANCE</b>	<b>\$ 916,269</b>

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS – GENERAL FUND**

**MARCH 31, 2008**

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RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF THE GOVERNMENTAL  
ACTIVITIES ON THE STATEMENT OF NET ASSETS

Fund balance – total governmental funds.....	\$ 888,708
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add -- land.....	7,325
Add -- capital assets.....	100,544
Deduct -- accumulated depreciation.....	(43,405)
Net assets of governmental activities.....	<u>\$ 953,172</u>

The accompanying notes are an integral part of the financial statements.



**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**MARCH 31, 2008**

	GENERAL FUND
REVENUES:	
Property taxes	\$ 72,599
Licenses & permits	6,616
State sources	337,746
Charges for services	9,892
Fines and forfeitures	737
Interest	32,163
Other	3,965
	<u>463,718</u>
TOTAL REVENUES	<u>463,718</u>
EXPENDITURES:	
General government	127,694
Legislative	5,317
Public safety	49,298
Public works	453,048
Community support	16,897
Cemetery	23,464
	<u>675,718</u>
TOTAL EXPENDITURES	675,718
REVENUES OVER EXPENDITURES	<u>(212,000)</u>
NET CHANGE IN FUND BALANCES	(212,000)
FUND BALANCE, BEGINNING OF YEAR	<u>1,100,708</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 888,708</u></u>

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**MARCH 31, 2008**

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RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE  
IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES.

Net Change in fund balances – government funds.....	\$ (212,000)
Government funds expense capital outlays in the current year while The Statement of Net Assets allocates them over useful life:	
Add capital outlay.....	-
Deduct – depreciation expense.....	(5,027)
Change in net assets of government activities.....	<u>\$ (217,027)</u>

**The accompanying notes are an integral part of the financial statements.**

**EASTON TOWNSHIP**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**GENERAL FUND – BUDGET AND ACTUAL**

**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES:				
Property taxes	\$ 59,468	\$ 59,468	\$ 72,599	\$ 13,131
Licenses and permits	1,050	1,050	6,616	5,566
State sources	303,500	303,500	337,746	34,246
Charges for services	13,000	13,000	9,892	(3,108)
Fines and forfeitures	2,000	2,000	737	(1,263)
Interest	13,225	13,225	32,163	18,938
Other	<u>-</u>	<u>-</u>	<u>3,965</u>	<u>3,965</u>
TOTAL REVENUES	<u>392,243</u>	<u>392,243</u>	<u>463,718</u>	<u>71,475</u>
EXPENDITURES				
General government	180,100	180,450	127,694	52,756
Legislative	7,950	7,950	5,317	2,633
Public safety	63,300	73,600	49,298	24,302
Public works	476,500	614,500	453,048	161,452
Community support	26,600	26,600	16,897	9,703
Cemetery	<u>28,250</u>	<u>31,250</u>	<u>23,464</u>	<u>7,786</u>
TOTAL EXPENDITURES	<u>782,700</u>	<u>934,350</u>	<u>675,718</u>	<u>258,632</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(390,457)</u>	<u>(542,107)</u>	<u>(212,000)</u>	<u>330,107</u>
NET CHANGE IN FUND BALANCES	<u>(390,457)</u>	<u>(542,107)</u>	<u>(212,000)</u>	<u>330,107</u>
FUND BALANCE, BEGINNING OF YEAR	<u>1,100,708</u>	<u>1,100,708</u>	<u>1,100,708</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 710,251</u>	<u>\$ 558,601</u>	<u>\$ 888,708</u>	<u>\$ -</u>

**The accompanying notes are an integral part of the financial statements.**

**EASTON TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**SEWER ENTERPRISE FUND**  
**MARCH 31, 2008**

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**Assets**

**Current Assets**

Cash and deposits	\$ 364,560
Due from other governments	859
Due from other funds	<u>5,539</u>

**Total current assets** 370,958

**Noncurrent Assets**

Capital charges receivable	136,932
Property, plant, and equipment, net of accumulated depreciation	<u>233,468</u>

**Total noncurrent assets** 370,400

**Total Assets** 741,358

**Non-current Liabilities**

Deferred revenue	136,932
------------------	---------

**Net assets**

Invested in capital assets, net or related debt	233,468
Restricted for sewer maintenance	370,958
Unrestricted	<u>-</u>

**Total net assets** \$ 604,426

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**SEWER ENTERPRISE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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**Operating revenues**

Hook-up fees	\$	-
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<b>Total operating revenues</b>		-
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**Operating expenses**

Administration	2,900	
Audit services	500	
Depreciation	7,953	

<b>Total operating expenses</b>	11,353	
---------------------------------	--------	--

<b>Operating income</b>	(11,353)	
-------------------------	----------	--

**Nonoperating revenue (expenses)**

Principal payments on capital charges	9,935	
Interest from capital charges	7,378	
Interest from investments	11,821	

<b>Total non-operating revenues (expenses)</b>	29,134	
--	--------	--

Change in net assets	17,781	
----------------------	--------	--

Net assets, beginning of year	586,645	
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<b>Net assets, end of year</b>	\$ 604,426	
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The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**  
**STATEMENT OF CASH FLOWS – SEWER ENTERPRISE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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**Cash from operating activities**

Cash paid for professional services	\$ 500
Cash paid for administration	2,900
	<u>3,400</u>

**Net cash provided by operating activities** (3,400)

**Cash flows from capital and related financing activities**

Interest received on capital charges	6,416
Principal payments on capital charges	<u>8,645</u>

**Net cash (used in) capital and relating financing activities** 15,061

**Cash flows from investing activities**

Interest received on deposits and investments	<u>11,821</u>
---	---------------

Net increase (decrease) in cash and cash equivalents 23,482

Cash and cash equivalents at the beginning of the year 341,078

**Cash and cash equivalents at the end of the year** \$ 364,560

**Reconciliation of net income to net cash provided by operations:**

Net income	\$ 17,781
Adjustments to reconcile net income to cash provided	
Depreciation expense	7,953
Changes in assets and liabilities which provided (used) cash	
Accounts receivable	5,904
Deferred revenue	<u>(8,156)</u>

**Net cash provided by operations:** \$ 23,482

The accompanying notes are an integral part of the financial statements.

**EASTON TOWNSHIP**

**FIDUCIARY FUND**

**TAX AGENCY FUND**

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**STATEMENT OF NET ASSETS**

**MARCH 31, 2008**

**Assets**

Cash in bank	\$	27,809
<b>Total Assets</b>		<u>27,809</u>

**Liabilities**

Due to other funds		13,621
Due to other governments		<u>14,188</u>
<b>Total Liabilities</b>	\$	<u>27,809</u>

**STATEMENT OF RECEIPTS AND DISBURSEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2008**

**Receipts**

Tax Collections	\$	1,587,708
Interest income		<u>2,222</u>
<b>Total cash receipts</b>		<u>1,589,930</u>

**Disbursements**

Payments to governmental units		1,595,733
Fees		<u>249</u>
<b>Total cash disbursements</b>		<u>1,595,982</u>

<b>Total receipts over (under) disbursements</b>		(6,052)
--	--	---------

Cash balance at the beginning of the year		<u>33,861</u>
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<b>Cash balance at the end of the year</b>	\$	<u><u>27,809</u></u>
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**The accompanying notes are an integral part of the financial statements.**

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Easton Township was organized on March 29, 1843, under the applicable laws of the State of Michigan. The Township is governed by a Board of Trustees which consists of Supervisor, Clerk, Treasurer, and two Trustees, and provides the following services: public safety (police, fire, ambulance), road maintenance, sewer, parks and recreation, cemetery, public improvements, and general administrative services.

The financial statements of the Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below:

**The Reporting Entity**

As required by generally accepted accounting principles, these financial statements present a financial report of all funds of Easton Township.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.



**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary funds. Agency funds follow the accrual basis of accounting, and they do not follow a measurement focus because they do not report the results of operations (assets equal liabilities). Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures in the current period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Township. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer enterprise funds are charges for services. Operating expenses for the enterprise fund include wages, supplies, utilities, charges for services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Fund Accounting**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Township reports the following major government fund:

**General Fund** – This fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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The Township reports the following major proprietary fund:

**Sewer** – This fund is used to account for the operations of the Township's sewer department that provides sewer services to township residents on a user charge basis.

Additionally, the Township reports the following fund type:

**Tax Agency Fund** – This fund is used to account for property tax collections from Easton Township real and personal property owners and its disbursement to applicable government entities and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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**Budgets and Budgetary Accounting**

Annual budgets are adopted for the general fund on a basis consistent with generally accepted accounting principles (GAAP). The Township follows these procedures in establishing the budgetary data that is reflected in the financial statements:

1. The budgets are generated with input from the clerk, treasurer, supervisor, and township trustees.
2. Public hearings are conducted to obtain taxpayer comments and recommendations. The operating budgets include proposed expenditures and the means of financing them.
3. The budget is legally enacted through the passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgeted funds.
5. Budget appropriations lapse at fiscal year-end.
6. Adoption and amendments of all budgets used by the Township are governed by Public Act 621. Expenditures may not exceed appropriations at the functional level for all funds (the legal level of budgetary control). The appropriations resolutions are based on the projected expenditure budgets by function. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any department must be approved by the Township Board.
7. Budgeted amounts are as originally adopted, or as amended by the Township Board. Supplemental budget appropriations were made during the year.
8. Encumbrance accounting is not utilized.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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**Investments**

Investments are stated at fair value.

**Restricted Assets**

Certain proceeds of the Sewer Fund, as well as certain resources set aside for their maintenance, are classified as restricted assets on the statement of net assets because their use is limited by applicable agreements with the City of Ionia.

**Due To and Due From Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental and business activities column in the government-wide financial statements. Capital assets are also presented in the proprietary fund statements. The Township does not currently own infrastructure (roads, tunnels, bridges, etc.) except for roads constructed in the Easton Township Cemetery. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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Land and historical artifacts are not subject to depreciation. Depreciation on the other capital assets of the primary government is computed using the straight-line method over the following useful lives:

	<u>Depreciable Life-Years</u>
Sanitary sewer systems.....	50
Furniture and equipment.....	5 – 15
Building and structures.....	10 – 40
Building improvements.....	15
Machinery and equipment.....	7 - 20

**Property Taxes**

Property taxes for the Township are attached as an enforceable lien on property as of December 1 of each year. The December 1 levy is recorded as a revenue during the current fiscal year, and is intended to fund expenditures of the current year.

Taxes are levied December 1 and are due without penalty on or before February 14. These winter tax bills include the Township's own property taxes and taxes billed on behalf of the school districts and other governmental entities; summer taxes are collected for school districts and the County of Ionia.

Real property taxes not collected are returned to the County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

**Deferred Revenue**

Government funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and for resources that have been received, but not yet earned. For the year ended March 31, 2008, Easton Township had deferred revenue in the Sewer Fund of \$136,932.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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**Fund Equity**

In the fund statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Proprietary funds report restricted net assets equal to restricted assets less related liabilities. The governmental funds of Easton Township have no reservation or designations of their \$888,708 fund equity.

**Interfund Transactions**

During the course of normal operations, the Township has transactions between funds, including transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as transfers. Operations subsidies are also recorded as transfers. For the year ended March 31, 2008, the Special Revenue Fund transferred its entire balance of \$87,438 to the General Fund for road improvements.

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Township was covered by a liability and property insurance policy in the Michigan Township Participating Plan through Burnham & Flowers Insurance group. The insurance limitations are: Property, \$292,560; Liability, \$5,000,000; Wrongful acts, \$5,000,000; Automobile, \$5,000,000; electronic data and hardware, \$29,521. The township also carries insurance for crime and inland marine.

**EASTON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2008**

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**2. CASH AND DEPOSITS, INVESTMENTS, AND RESTRICTED ASSETS**

The cash deposits and investments for the Township are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Agency Fund</u>	<u>Total</u>
Deposits:				
Cash and deposits	\$ 332,704	\$ 238,303	\$ 27,809	\$ 598,816
Investments	<u>441,221</u>	<u>126,257</u>	<u>          </u>	<u>567,478</u>
	<u>\$ 773,925</u>	<u>\$ 364,560</u>	<u>\$ 27,809</u>	<u>\$ 1,166,294</u>

The carrying amount of the Township's governmental funds and business-type fund deposits at March 31, 2008, was \$1,138,485. All of these deposits are insured by the Federal Deposit Insurance Corporation. These deposits are in three (3) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the Township and a specific fund or common account. They are recorded in the Township records at fair value.

**Statutory Authority**

State statutes authorize the Township to invest in:

1. Bond securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.



**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services that matures not more than 270 days after the date of purchase.
4. Bankers acceptances of United States banks.
5. Obligations of the State of Michigan or its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
6. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
7. External investment pools as authorized by Public Act 20 as amended through December 21, 1997.

Township investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. Investments held by the Township are reported at fair value.

**EASTON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2008**

All deposit accounts of Easton Township are in Category 1, registered and insured to the FDIC limit of \$100,000 for each bank, and are listed as follows:

**GENERAL FUND**

Depository	Account	Amount @ March 31, 2008
<b>General Fund:</b>		
Firstbank West Michigan	Checking Account	\$ 198,429
Fifth Third Bank	Business Money Market	134,256
Portland Federal Credit Union	Savings Account	19
Portland Federal Credit Union	Certificate of Deposit	115,881
Portland Federal Credit Union	Certificate of Deposit	87,681
Portland Federal Credit Union	Certificate of Deposit	139,390
Fifth Third Bank	Certificate of Deposit	98,269
<b>TOTAL GENERAL FUND</b>		<b>773,925</b>

**SEWER FUND**

<b>Sewer Fund:</b>		
Firstbank West Michigan	Checking Account	238,303
Portland Federal Credit Union	Certificate of Deposit	16,542
Portland Federal Credit Union	Certificate of Deposit	109,715
<b>TOTAL SEWER FUND</b>		<b>364,560</b>
<b>TOTAL -- ALL GOVERNMENTAL &amp; BUSINESS-TYPE FUNDS</b>		<b>\$ 1,138,485</b>

**EASTON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2008**

**3. CAPITAL ASSETS**

A summary of changes in Capital Assets follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 7,325			\$ 7,325
Historical artifacts	1,000			1,000
Capital assets, being depreciated				
Buildings	16,598	-		16,598
Building and grounds improvements	45,668	-		45,668
Machinery and equipment	37,278	-		37,278
	99,544			99,544
Less accumulated depreciation for:				
Buildings	13,506	373		13,879
Building and grounds improvement	11,483	1,064		12,547
Machinery and equipment	13,389	3,590		16,979
Total capital assets being depreciated, net	38,378	5,027		43,405
<b>Governmental activities capital assets, net</b>	69,491			64,464
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Sewer system	397,654	-		397,654
Less accumulated depreciation:				
Sewer system	156,233	7,953		164,186
<b>Business-type activities capital assets, net</b>	\$ 241,421			\$ 233,468

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>Year ended March 31, 2008</u>
Governmental activities:	
General government.....	\$ 3,590
Cemetery.....	720
Townhall and grounds.....	<u>717</u>
Total depreciation expense – government activities.....	<u>\$ 5,027</u>
Business-type activities:	
Sewer.....	<u>\$ 7,953</u>

**4. CONTRIBUTORY PENSION PLAN**

Easton Township contributes to a group pension plan through John Hancock Life Insurance Company. The eligible participants are elected officials and appointed individuals. The Township contributes 15% of the participant's compensation, and a participant may also make voluntary contributions. During the year ended March 31, 2008, the Township made a cash contribution of \$13,080 for the prior year, and accrued a pension obligation of \$14,003 for the current year.

**5. EASTON SEWER SYSTEM**

The original sewage disposal system was jointly owned by the Townships of Easton and Ionia and the City of Ionia. Bonds to construct the system were sold in 1976, 1990, 2001, 2004, and 2005. Until June 30, 1991, the City of Ionia, Easton Township, and Ionia Township made debt payments related to the cost of the sewer facilities and lines laid within their borders.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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As of June 30, 1991, the allocation of debt payments was changed to reflect annual flow from each of the three entities with the heaviest users paying a larger portion of the debt payments.

Easton Township entered into an agreement with the City of Ionia that took effect on August 1, 2001. According to this agreement, the City of Ionia took over the operation of the portion of the sewer system within Easton Township. The City began billing Township customers directly based on the current rate structure. The City is now responsible for all operational costs of the system. In this agreement, Easton Township retained all rights and title to the sewer facilities installed in the township before August 1, 2001. The allocated value of these sewer lines is \$397,654 less accumulated depreciation of \$164,186, for a net book value of \$233,468 as of March 31, 2008.

On October 22, 2002, Easton Township chose to pay off its portion of the existing sewer debt based on its percentage of ownership at a cost of \$203,270. This payoff did include the balance on the capital charges owed by residents who had hooked up to the sewer system. When residents hooked up to the system, they had the option of paying the hook-up charges in advance or paying for them with quarterly payments. These payments represent principal and interest payments on the hook-up charge. The balance on these hook-up or capital charges is shown as a receivable to the township sewer fund and has a balance of \$136,932 as of March 31, 2008.

**6. LITIGATION**

In the normal course of its activities, the Township has become a party in various legal actions, including property tax assessment appeals. Management of the Township is of the opinion that the outcome of such actions will not have a material effect on the financial position of the Township and, therefore, has not reflected loss reserves in the financial statements.

**EASTON TOWNSHIP**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2008**

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**7. DUE FROM (TO) OTHER FUNDS**

Amounts due from (to) others funds representing interfund receivable and payable balances at March 31, 2008, are detailed as follows:

Due From	Due to			TOTAL
	General Fund	Sewer Fund	Tax Agency Fund	
General Fund	-	4,932		4,932
Tax Agency Fund	13,014	607	-	13,621
<b>TOTALS</b>	<b>13,014</b>	<b>5,539</b>		<b>18,553</b>

During the year ended March 31, 2007, \$4,932 was deposited in the general fund checking account that belonged to the sewer fund. This amount included the following: (1) Capital charge Sewer Fund payment from the City of Ionia, \$4,321; (2) 2005 Sewer fund delinquent assessment, \$611. The general fund checking account still holds this amount of \$4,932. The General Fund receivable from the Tax Agency Fund consists of a balance of \$4,699 from the prior year, 2006 delinquent taxes of \$6,092, and interest earnings of \$2,222. The Sewer Fund receivable from the Tax Agency Fund consists of the prior year amount of \$4,932 and delinquent assessments of \$607 from the 2006 property tax bills.

**EASTON TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

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**8. SPECIAL REVENUE FUND**

Easton Township had maintained a special revenue fund to be used for a necessary township project. At the close of the prior fiscal year, the balance was \$86,189. During the year ended March 31, 2008, after accrued interest of \$1,249 had increased the balance to \$87,438, the special revenue fund was closed out and the balance was transferred to the General Fund to assist in paying for the road project on Parmeter Road.

**9. PRIOR PERIOD ADJUSTMENT**

Easton Township completed a review of the balance owing to the township from Easton Township residents for their hookup to the township's sewer lines. Residents could pay off the hookup charge at the time of the hookup or pay it over a series of years. Most residents have chosen to pay the hookup charge over time and are making payments during the year that consist of interest and principal amounts. The total principal owing is referred to as Capital Charges. As a result of the review of units who still owe capital charges, Easton Township has determined that the balance receivable from all units was \$143,695 on March 31, 2007, instead of \$134,033 as previously reported. An adjustment of \$9,662 has been made on the Sewer Fund's Statement of Net Assets. Since the principal received on the capital charges is income to the township when it is received, the balance owing is also being reported as deferred revenue. Adjustments made to the prior year Sewer Fund Statement of Net Asset is as follows:

	Originally Reported <u>03/31/2007</u>	Corrected Amount <u>03/31/2007</u>
Capital Charges Receivable	\$ 134,033	\$ 143,695
Deferred Revenue	1,393	145,088

## **GENERAL FUND**

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The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. Revenues in this fund are derived primarily from general property taxes, fees for services, interest, state shared revenues, grants and intergovernmental revenues. General operating expenditures of the Township are accounted for in this fund, including Township Administration, Public Safety, Public Works, Recreation and Culture, Cemetery and Other.

The legal level of budgetary control of the General Fund is at the activity level, as reflected on the following Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual.

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**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
<b>PROPERTY TAXES</b>				
Current property taxes	\$ 46,668	\$ 46,668	\$ 55,680	\$ 9,012
Tax administration fees	12,800	12,800	16,919	4,119
<b>TOTAL PROPERTY TAXES</b>	<u>59,468</u>	<u>59,468</u>	<u>72,599</u>	<u>13,131</u>
<b>LICENSES AND PERMITS</b>				
Land division act fees	1,000	1,000	200	(800)
Licenses and permits	50	50	-	(50)
<b>TOTAL LICENSES AND PERMITS</b>	<u>1,050</u>	<u>1,050</u>	<u>200</u>	<u>(850)</u>
<b>STATE SOURCES</b>				
State revenue sharing	300,000	300,000	334,618	34,618
Telecom revenue share	3,500	3,500	3,128	(372)
	<u>303,500</u>	<u>303,500</u>	<u>337,746</u>	<u>34,246</u>
<b>CHARGES FOR SERVICES</b>				
Cemetery lot sales and fees	3,500	3,500	4,850	1,350
Rents and royalties	2,000	2,000	3,250	1,250
Cable franchise fees	6,000	6,000	6,416	416
Special elections	1,500	1,500	1,792	292
<b>TOTAL CHARGES FOR SERVICES</b>	<u>13,000</u>	<u>13,000</u>	<u>16,308</u>	<u>3,308</u>
<b>FINES AND FORFEITURES</b>				
Ordinance violation fines	2,000	2,000	737	(1,263)
<b>INVESTMENT EARNINGS</b>				
Interest on deposits	13,225	13,225	32,163	18,938

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
OTHER REVENUE				
Refunds and rebates	\$ -	\$ -	\$ 3,965	\$ 3,965
TOTAL OTHER REVENUE	-	-	3,965	3,965
TOTAL REVENUES	392,243	392,243	463,718	71,475
EXPENDITURES				
LEGISLATIVE				
Township board	7,950	7,950	5,317	2,633
GENERAL GOVERNMENT				
Supervisor	19,450	19,450	18,763	687
Elections	9,200	9,200	3,613	5,587
Assessor	21,700	21,700	19,274	2,426
Clerk	22,650	22,650	22,361	289
Board of review	2,400	2,400	1,832	568
Treasurer	30,500	30,500	27,758	2,742
Townhall	7,300	7,650	7,559	91
Insurance	10,600	10,600	8,717	1,883
Pension plan	12,000	12,000	14,003	(2,003)
Employment taxes	1,200	1,200	1,082	118
Accounting and legal	43,100	43,100	2,732	40,368
Total general government	180,100	180,450	127,694	52,756

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
PUBLIC SAFETY				
Township deputy	\$ 29,000	\$ 38,000	\$ 28,621	\$ 9,379
Fire department	14,300	15,600	4,281	11,319
Ambulance	20,000	20,000	16,396	3,604
Total public safety	63,300	73,600	49,298	24,302
PUBLIC WORKS				
Road work	70,000	70,000	58,565	11,435
New projects	388,000	526,000	386,428	139,572
Drains	10,000	10,000	-	10,000
Street lighting	8,500	8,500	8,055	445
Total public works	476,500	614,500	453,048	161,452
COMMUNITY SUPPORT				
Township census	5,000	5,000	3,198	1,802
County Parks	5,000	5,000	-	5,000
Spring clean-up	5,000	5,000	3,351	1,649
Economic development	1,350	1,350	1,348	2
Dial-a-ride	10,000	10,000	9,000	1,000
Miscellaneous	250	250	-	250
Total community support	26,600	26,600	16,897	9,703

**EASTON TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED MARCH 31, 2008**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL POSITIVE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>(NEGATIVE)</u>
EXPENDITURES				
CEMETERY				
Cemetery	<u>28,250</u>	<u>31,250</u>	<u>23,464</u>	<u>7,786</u>
TOTAL EXPENDITURES	<u>782,700</u>	<u>934,350</u>	<u>675,718</u>	<u>258,632</u>
REVENUE OVER (UNDER) EXPENDITURES	(390,457)	(542,107)	(212,000)	330,107
NET CHANGE IN FUND BALANCE	(390,457)	(542,107)	(212,000)	330,107
FUND BALANCE, BEGINNING OF YEAR	<u>1,100,708</u>	<u>1,100,708</u>	<u>1,100,708</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 710,251</u>	<u>\$ 558,601</u>	<u>\$ 888,708</u>	<u>-</u>

**Lawrence Tiejema, PC    Certified Public Accountant**  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

September 15, 2008

The Township Board  
Easton Township  
Ionia County, Michigan

I have audited the financial statements of the governmental activities, business-type activities, and the aggregate remaining fund information of the Township of Easton, State of Michigan, as of and for the year ended March 31, 2008, which collectively comprise Easton Township's basic financial statements and have issued a report thereon dated September 15, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Easton Township's control over financial reporting as basis for designing my auditing procedures for the purposes of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Easton Township's internal control over financial reporting

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

I noted no material weaknesses in the internal control system of Easton Township. However, I did note four significant deficiencies that are described in the attached schedule that are titled 2008-1 through 2008-4.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Easton Township's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, we do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the township board officers, bond and credit holders, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Lawrence Tiejema, PC.

September 15, 2008

## **SCHEDULE OF SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL**

### **EASTON TOWNSHIP -- YEAR ENDED MARCH 31, 2008**

**2008-1:** Township accounting personnel do not prepare the accruing entries necessary for preparation of the government-wide statements. They rely on the auditor to make all of these adjustments.

Township response:

**The township accounting personnel will develop knowledge of accruing entries and prepare these entries for the next audit.**

**2008-2:** The Township operates under traditional purchasing guidelines developed in practice, and it does not have a formal, written purchasing policy as required by the Michigan Department of Treasury.

Township response:

**The township will develop a written purchasing policy during the current fiscal year.**

**2008-3:** The Township does not have a procedure for recording capital assets that cost \$1,000 or more and placing these assets in a fixed-asset schedule.

Township response:

**The township will develop a procedure for recording capital assets with a cost of \$1,000 or more in a fixed-asset account.**

**2008-4:** The Township clerk does not have a clear way to determine the revenue accounts for all of the deposits that are made to the general fund checking account. The clerk deposits these unknown deposits in miscellaneous revenue until the revenue accounts are identified at a later date.

Township response:

**The Treasurer will write the following information on the copies of the receipts that are given to the Clerk: (1) revenue account number for each deposit; (2) the date that the revenue was actually deposited in the bank.**

